

Factors Shaping Sino-Japanese Relations

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Contemporary International Relations, September 2001^{1*}

The year 2001 brought another shift in the Japanese leadership in which strong rightists took power. The Sino-Japanese relationship began to further deteriorate owing to various controversial events, including the textbook revision controversy, former Taiwanese President Lee Teng-hui's visit to Japan, Prime Minister Junichiro Koizumi paying homage to the Yasukuni Shrine, bilateral trade frictions. Among a number of complicated factors that affect Sino-Japanese relations, this author thinks that the key factors have to do with economics, politics and the United States.

Part : Economic Factors

The Japanese economy has been declining steadily since 1990s. Serious economic situations cast a shadow on Sino-Japanese relations.

1. **Rightists came to power on the brink of economic crisis because the worsening economic situation finally exhausted the patience of the Japanese people.** "If the current situation appeared elsewhere, revolution would have already broken out."² Such words reflect the widespread resentment and the common desire for reform among the Japanese people. The unwise economic policies and incompetence of the previous governments created a longing for strong political figures. As the old saying goes, a hungry person is not picky. The Japanese people under such circumstances tend to be deceived by some politicians who are good at acting more than thinking and ruling. Junichiro Koizumi, a LDP freak and self-proclaimed reformer, caught the attention of the Japanese people. He first became the President of the LDP and then the Prime Minister of Japan, favored by 80-90% of

^{1*}*Contemporary International Relations* is a journal of the China Institute of Contemporary International Relations.

² *Shunkan Bunshun*, March 29, 2001

the population. In fact, people's sentimental support for Koizumi meant nothing but support for reforms and reflected the lack of far-sighted, impressive and decisive statesmen in Japan today.

Prime Minister Koizumi seems to be a reformer on domestic issues but a rightist in foreign affairs. His offensive and stubborn attitudes on textbook revision, the Yasukuni Shrine and trade frictions, as well as his unwillingness to heed criticisms from China, the Republic of Korea (ROK) and other Asian countries, have seriously damaged Japan's relations with its neighbors.

2. The contrast between Chinese and Japanese economic developments has fueled anxieties about the so-called China Threat. It is widely believed in Japan that the 1990s were the Lost Decade. In addition, most Japanese hold gloomy expectations of the national economic situation in the early 21st Century. According to the Mid- and Long-term Economic Forecast Report released by the Japan Economic Research Center, if the Japanese economy remains stagnant, the pessimistic estimation of average Japanese GDP growth rates for the periods of 2000-2005, 2005-2010 and 2010-2015 is only 0.3%, 0.1% and 0.1%, respectively; the moderate estimation is 0.9%, 1.0% and 0.6%; and the optimistic estimation is 1.4%, 2.2% and 1.1%.³ In other words, even with the most optimistic estimates, the average Japanese GDP growth rate for the next 25 years would only be as low as 1.8%.

In contrast, the Chinese economy for the next 10-20 years is expected to maintain its high-speed growth rate of the 1990s. By 2015-2020, the overall economic scale of China would probably exceed that of Japan. This scenario may not necessarily be a bad thing for Japan or Asia. However, some Japanese have allowed their jealousy and Sino-phobia to fester, leading to increasing sentimental factors. As some Japanese scholars concluded, the feeling of the majority of Japanese people towards China could be summed up as fear of a strong, rising China. Chinese economic development coupled with Japan's economic standstill helped to spread the pathological China Threat among the Japanese.

This pathology was actually set off by some ill-intentioned agitators. For instance, Mr. Kiichi Saeki claimed that China, even without expansionist ambition,

³ *Nihon Keizai Shinbun*, March 22, 2001.

could pose threats to its surrounding countries with the fulfillment of reunification and restoration of the imperial territory.⁴ Nevertheless, the China Threat somehow mirrored a kind of unhealthy Japanese mentality. Being the only developed country in Asia for decades, Japan has been used to standing among a group of dwarfs. Many Japanese are quite uneasy to see their much more populous neighbor, which has more territory, too, achieving modernization. Some even worry that Japan and China might struggle for leadership in Asia or that China might seek revenge for the devastating Japanese invasion some 60 years ago.

3. The rise of trade protectionism resulted in trade frictions between Japan and China. On April 10, 2000, the Japanese government announced that Japan would impose a penalty rate over the excess imports (according to the average number from 1997 to 1999) of three Chinese agricultural products (256% on green Chinese onions, 266% on fresh mushrooms, and 106% on rush mat). This decision, which was made despite strong opposition from China and many Japanese consumers and companies, provoked a trade war with China. One major cause behind this trade war was the rise of trade protectionism in Japan after a long-term economic recession. In 2000, Mainland China exported US\$50 billion worth of commodities to Japan, an increase of 22% from 1999 and 35% from 1996, accounting for 15% of the total Japanese imports for the year, second only to that from the U.S. (19%).

In recent years Chinese exports to Japan not only increased in quantity but also improved in quality so that Japanese consumers' discriminatory attitude against the Chinese goods had almost subsided. Pleasant but inexpensive goods from China (i.e. agricultural products) have benefited ordinary Japanese consumers.

However, since the current Japanese economy is still in a period of deflation, which, according to the Japanese government, means consistently undergoing a fall in prices, there have been more negative than positive effects over the macro economy. Cheap commodities from abroad aggravated deflation and smashed some domestic manufacturers. In order to meet the demands of these harmed enterprises and businesses, the Japanese

⁴ Yasuhiro Nakasone, *Japanese National Strategy for 21st Century*, PHP Institute, 2000, p.37.

government chose to impose some restrictive measures over certain Chinese export goods.

4. In the face of fiscal crisis and troubled bilateral relations with China, Japan is thinking of reducing significantly the Official Development Aid (ODA) to the Chinese government, which would definitely bring some negative effects to Sino-Japanese relations. The biggest problem for the Japanese economy today is the deterioration of its fiscal situation. Therefore, how to cut fiscal expenditure has become the major task for the Japanese fiscal reforms. The fact is that one big portion of Japanese fiscal expenditure goes to ODA. To reduce fiscal expenditure will certainly bring disaster to ODA programs, including ODA to China. From 1980 to 2000, Japan has provided China with four batches of loans (330.9 billion yen, 540 billion yen, 809.9 billion yen and 970 billion yen), which are commensurate with the four Five-Year Plans executed by China. In addition to loans, Japan, like developed Western countries, also rendered some free economic aid to China to improve the beneficiary's infrastructure, agriculture, environment and industry. From 2001, the package of loans has been changed to loans examined and approved on an annual basis.

The ODA to China has played a very important role in facilitating Chinese modernization. Many ODA-assisted projects are mutually beneficial too. It is noteworthy that the Chinese government renounced the claim to the reparation of war when it normalized diplomatic relations with Japan in 1972. Ever since Japan first provided the ODA to China in 1980, the two sides have had a tacit common understanding that the ODA is linked to Chinese generosity. In other words, ODA to China is a way of compensation. In February 2001, a Japanese businessman engaging in trade with China for years sighed, saying to me that some Japanese criticized China for not showing enough gratitude to the Japanese ODA, but did they ask themselves whether Japan has shown any gratitude to China for the renouncement of reparation? It shows that those Japanese who are familiar with the history of the Sino-Japanese relations are quite aware of the connection between the ODA and the Chinese renouncement of war reparation.

However, there have been some complaints recently in Japan about the ungrateful attitude of the Chinese

towards the ODA or the Chinese misuse of ODA for military purposes.⁵ After the so-called "emergent import restrictions" over three Chinese agricultural products were imposed in April 2001, rumor of ODA helping China to compete with Japan began to rise. Such opinions sound like the prelude to large reductions of ODA to China. Once this is done, the Sino-Japanese relations will be affected tremendously.

5. If Koizumi's cabinet fails in economic reforms, narrow nationalism of Japan will rise to further harm the Sino-Japanese relations. Could Koizumi's cabinet transfer the reform proposals into concrete actions? Could Koizumi become a successful reformer of actions? These are all serious questions.

Recent fierce domestic debates and differences within the Japanese government over reforms showed that Koizumi would face obstructions from all directions when carrying out reforms - not only from vested interest groups within the LDP, but also from local governments whose interests might be weakened by reforms. Besides, one should also pay attention to whether or not the Japanese people could bear the throes of reforms. If Koizumi implements by force some reforms over the health care system or the income tax, which will affect the interests of ordinary people, the only strength of Koizumi's cabinet - high public support - might diminish rapidly. If so, given the strong opposition forces within the LDP, the future of the reforms is really a big question.

Koizumi paying homage to the Yasukuni Shrine and defending the revision of textbooks indicated that he was seeking an outlet in case reforms failed - to divert people's attention by inciting nationalism. Yet he has already turned himself into a narrow nationalist, disregarding Japanese relations with China, South Korea and other Asian countries.

6. Japanese government has taken an increasingly passive attitude towards economic cooperation in East Asia, including trade with China. One important diplomatic heritage Koizumi inherited from his predecessors is a number of bilateral free trade agreements or free trade plans with Singapore, Mexico,

⁵ For instance, LDP President candidate Shizuka Kamei made groundless accusation of China using ODA for military purposes during his TV debate in April 2001.

the Republic of Korea, and Chile, etc. For example, a free trade agreement between Japan and Singapore will be ratified and come into effect by January 2002; the two governments of Japan and Mexico have agreed to establish a joint study commission on bilateral free trade agreement⁶; and free trade agreement with the U.S. is just now in fermentation. In addition, Japan has recently strengthened the software diplomacy with India and the energy diplomacy with Russia.

In contrast to the above-mentioned thriving bilateral economic diplomacy, Japan was hesitant and inconsistent in regional economic cooperation. For instance, Japan never seriously thought of building an EU-styled free trade zone in East Asia. In the name of economic difficulty, Japan even put forward suggestions and took actions against regional economic cooperation. Besides trade frictions with China, some Japanese have advocated a devaluation therapy for the economic recession, trying to shift Japan's troubles onto its Asian neighbors. This irresponsible policy would cause damages to all Asian countries.

Part : Political Factors

Nowadays, conservative, inward-looking, narrow nationalism is prevailing in Japan. Owing to this ideological trend, many Japanese politicians took up a better-tough-never-soft attitude towards China. All in all, rightist inclination is one major cause for the constant Sino-Japanese political frictions.

1. From "historical frictions" to "emotional frictions"

Friction relating to the understanding of history is a repertoire for the Sino-Japanese relations. Why didn't historical frictions between Japan and China, Japan and the ROK eclipse as time went by? Why did such historical frictions lead to emotional frictions between Japan and the other two countries? There are three reasons:

(1) Evolution of Japanese domestic politics.

Since the Social Party, which always had a correct understanding of history, was dismissed and the 1955 System, in which conservatives and

⁶ *Nihon Keizai Shinbun*, May 15, 2001.

revolutionists were checked by each other, collapsed in 1993, the critical and resistant forces against an incorrect conception of history in Japan have considerably weakened.

(2) Change of generations.

Those who experienced personally and witnessed the Japanese invaders' barbarous crimes during the aggression war have begun to die off while the other, younger generations have little knowledge about the true history.

(3) Sentimental inclination.

Since some Japanese could not fairly treat the rise of Asian countries, there has been a sentimental inclination in Japanese foreign policies toward China and Asia in large.

In reality, historical issues also have practical implications. There are five characteristics of the historical problem of Japan:

(1) "Practical."

Prime Minister Koizumi paying homage to the Yasukuni Shrine implied his approval of the Japanese soldiers who died in World War II. By doing so, he not only pandered to the people's practical hope of seeing Japan becoming a normal state, but also encouraged the Japanese youth to follow the example of their forefathers.

(2) "Political."

Japan tends to use the historical issue as a bargaining chip in political and diplomatic deals. To the Japanese, the recognition of the history of aggression was viewed as bowing to the Asian countries including China and the ROK, or a sort of political yielding and concession.

(3) "Sentimental."

Irrational factors behind the historical matter are increasing. Even an antagonistic psychology that says, "I will not submit and will even reverse the case if you insist on me admitting the historical wrongdoings" has come into being.

(4) "Academic."

In the future, China and the ROK must strengthen their historical research and collection of evidence if they want to refute the wrong contents in Japanese textbooks of history.

(5) "Prolonged".

The lack of correct historical education about World War II led to an incomplete understanding of history among Japanese youth. This might create a vicious cycle, in which the next generation would receive worse historical education than their parents.

Regarding the Japanese society, the core of the historical issue lies in education, namely teaching historical facts to young generations to foster a kind of moral concept that respects the history of the Japanese people. Regarding Japanese domestic politics, the core of the historical issue lies in national policies. Former Japanese Prime Minister Murayama pointed out that, in the past, Japan followed some wrong national policies; it was hard to imagine that Japan could formulate correct national policies for the present and future without exposing and criticizing the past wrong national policies. Regarding the Japanese foreign relations, the core of the historical issue lies in reconciliation. In other words, does Japan sincerely want to reconcile with countries it invaded and colonized in the past so as to establish political foundations for genuine cooperation with them?

Of course, Sino-Japanese emotional friction has not only resulted from historical friction but also from practical problems in bilateral economic and personnel exchanges. "On the one hand, Japan does not want to mention China; on the other, it keeps on looking at China. The nature of such attention has changed from friendly in the past to vigilant at present."⁷ As a matter of fact, the Sino-phobia could be traced back to the Meiji era. In the 1870s and 1880s, Japanese politicians and the public opinion exaggerated the strength of China, helping to spread the Sino-phobia in Japan and creating a political scenario in which those who were tough on China gained the upper hand. Ten years later, Japan fearlessly declared a war on China with the backing of its new ally, the British Empire. That was the beginning of the half-century of malicious aggression toward China.

Old emotional friction detonated the war between Japan and China and caused long lasting historical problems between the two countries while new emotional friction

⁷ A Japanese friend said this to the author in February 2001.

triggered by the historical problems increased the potential risk of another unpleasant period in history.

2. Foreign policy serving the election strategy

The emotional friction between Japan and China could engender another serious problem: domestic politics and foreign policy are affected by people's emotion. This is more obvious on the Japanese side. In order to win certain electorates, some Japanese politicians adopted a better-tough-never-soft foreign policy towards China. Koizumi's China policy is a typical example in this regard. We look upon his China policy as an all-for-election and public-support-first policy rather than a rational policy based on long-term strategic calculations.

For the sake of the election and LDP ruling, Koizumi had no choice but to weigh Japanese people's words and watch their expressions when formulating domestic and foreign policies. Therefore his foreign policies in particular, which are largely influenced by domestic public opinion and changing accordingly, have little consideration for public opinions regarding other Asian countries.

We should never underestimate the negative effects of emotional friction and the so-called China Threat. Owing to the bad feelings of both peoples for each other, Japanese hardliners are more popular. There exists a tendency in Japanese foreign policy to reinforce the Japan-U.S. military alliance at all costs. Since tougher policies toward China seem to be more desirable by the Japanese people, Japanese policy makers have chosen more rigid positions, which has provoked heightened tension and further intensified emotional friction between the two countries. Thus, a vicious cycle came into being.

Compared with some 100 years ago when Japan first invaded China, there are three differences: first, the domestic situation and international relations of Japan have changed; second, China is no longer weak and easy to be bullied; and third, the development of military technology, especially missile technology, has deprived the Japan of natural defense against retaliation. If those right-wing Japanese politicians continue the outdated mentality formed one century ago, there will be some risks of driving Japan and China into tragic lose-lose conflicts.

3. Politicization of economic issues

An ideal example of foreign policy serving election strategy was the trade friction with China stirred up by the Japanese side in April 2001. Protection of agricultural products like green Chinese onion or fresh mushrooms could be done through governmental compensation. However, the Japanese government, in order to cater to some sentimental Japanese people, resorted to external measures and tough policies against China. Being experienced in trade war with the US, the Japanese government was quite certain about the consequence: Chinese retaliatory countermeasures. Then why did they still go for trade protectionism in the extremist way? Because the political parties and politicians in Japan all have selfish interests. On the eve of the July upper house election, Japanese politicians wanted to buy over rural electorates by protecting their business. A *Financial Times* article said that the LDP yielded to the protectionist demands of the farmers simply for the backing of these traditional supporters during the July upper house parliamentary election.⁸

In this sense, the Japan-provoked trade friction was indeed the result of politicization of economic issues. The three types of friction between Japan and China - political, emotional and trade frictions - could be promoted mutually in the future.

As a matter of fact, protectionism cannot save the Japanese economy. For instance, the long-term protectionist measures taken by Japan did not solve the high-cost, low-competitiveness problem of the Japanese agriculture. Only through structural economic reforms could Japan revitalize its economy, urging labor forces and capital to shift from the low-efficiency sectors to high value-added sectors, fostering hi-tech industries (including large-scale, hi-tech agriculture), increasing the competitiveness of those industries which are under threats of cheaper imported goods, and actively engage in world competition and economic globalization. However, instead of this structural economic reform, the Koizumi government chose to punish Chinese onion and mushroom growers, trying to conceal their incapability in pursuing economic reforms. That is another reason behind the politicization of economic issues.

At the end of May 2001, Takeo Hiranuma, Minister of

⁸ *Financial Times*, June 25, 2001.

Economy, Trade and Industry, expressed his "regret" when talking about the Japan International Cooperation Bank financing a chemical fiber factory in Hubei Province, China. He said it was unbelievable that some Japanese were helping the Chinese textile industry when the Japanese textile manufacturers were suffering from the increasing exports from their Chinese competitors. He said he even thought about abandoning that project but failed to do so because of the binding force of the signed contract with the Chinese government. The Japanese minister's idea was exactly the same as import restrictions over Chinese agricultural products: to resist economic globalization by politicizing economic issues.

Politicization of economic issues is out of the political needs and therefore not able to alleviate economic problems. On the contrary, it might dispel the possibility that Japanese economic recovery could benefit from the economic growth of Asia and China in particular.⁹

Part : American Factors

Other major factors that affect Sino-Japanese relations are American factors. Since George W. Bush took office, he has completely adjusted American-foreign policies and toughened policies toward China. In this context, we have to pay close attention to the reaction of the Koizumi government. Will it follow suit?

1.The tendency of making use of Sino-U.S. tension

Some Japanese strategists are quite familiar with a historical lesson: challengers to the existing world dominator all ended badly while the followers could earn a profit without working for it. In their eyes, Japan favors the *status quo* whereas China tries to change the *status quo* - the unipolar world dominated by the US. The essence of such opinion is by no means a denial of the trend to the multipolar world but a disguise of Japanese intention. By pretending to be a supporter to the existing unipolar world order, Japan could approach in a roundabout way the goal of becoming a pole in the future

⁹ Sakutarō Tanino, former Japanese Ambassador to China held that economic issues should be restricted to the economic sphere; don't politicize economic issues; economic issues should be treated with a cool head.

world by making use of American force.

To this end, Japan, on the one hand, concealed its attitude towards multi-polarization while, on the other, tried hard to push China to a position confronting the U.S.-led unipolar world. Some Japanese preached that China wanted to break down the current security arrangement in Asia by opposing both U.S. troops in the region and U.S. alliances with Japan and the ROK. On the global level, China advocated building a China-shaped multipolar world, replacing the present unipolar world. On the economic dimension, China was pursuing economic leap and expansion.¹⁰

It is quite apparent that these strategists wanted Japan to gain the third-party profit from the Sino-US confrontation. The Japanese Trade White Paper (2001) said openly that rapid economic growth in China has become a new threat to Japan; confrontation between China and the U.S. would constrain Chinese development and therefore weaken the Chinese competitiveness over Japan. Besides, as an ally and supporter of the U.S., Japan will continue to obtain up-to-date technologies from the U.S., which will certainly benefit Japanese economic, scientific/technological, and military development.

3.The limitation of following American policies

Just like the Japanese society, Japanese international relations are also stratified. In other words, the Japanese are used to treating people as either superiors or inferiors and never know how to deal with others on an equal footing. Out of the loyalty to the supreme Japan-U.S. alliance, the American factors will always come first when Japanese government formulates the Asian strategy and China policy. Even the Japanese public opinion sometimes criticizes Koizumi for being too pro-U.S. and ignoring relations with China and Asia as a whole.

However, one should notice that Japan would not totally forget about its own diplomatic interests. On the premise of devotion to the Japan-U.S. alliance, Japan needs to create an independent diplomatic space, which could leave some leeway for Japan to deal with China and other Asian countries. Given the hard-line position taken by the Bush Administration against China, current

¹⁰ Matahisa Komori, "Sino-Japanese Relationship Has Changed", *Voice*, January 2001.

Japanese policies toward China are tougher than before, yet Japan is not as strong as the U.S. and is situated in a much closer proximity to China than the US. There is an old Chinese saying: a fire on the city gate brings disaster to the fish in the moat. In case of a contingency taking place in Asia, the U.S. could watch the fire from the other side of the Pacific, but Japan could only be the unlucky fish. Confronting China will cost Japan much more than it costs the US. In light of this, some Japanese regard the tension between China and the U.S. as an opportunity to improve the Japan-China relations.

At this moment, the U.S. tries hard to woo Japan. Around the American presidential election, American think tanks published a number of reports on U.S. policies toward Japan. They all stressed incorporating Japan into the American global strategy, calling Japan the United Kingdom in Asia. However, some prominent Japanese scholars responded by advocating Japan as the Germany in Asia. Now Japan has two options: synchronizing foreign policies with the U.S., disregarding the importance of China and Asia or paying due attention to its neighbors.

In fact, Japanese security cannot totally rely on the Japan-U.S. Security Alliance without security cooperation with neighboring countries in East Asia. One must walk on two legs. As former Prime Minister Nakasone recognized, "The future Japanese diplomatic strategy should, on the one hand, uphold the Japan-U.S. Security Alliance and, on the other, try to establish a collective security mechanism with other countries in East Asia."¹¹ In addition to the Japan-U.S. Security Alliance Treaty, "the other two most important tasks for Japanese foreign policies are establishing a collective security mechanism in East Asia and properly handling relations with China and Taiwan."¹²

Nevertheless, there are at least three pairs of contradictions in the Japanese security policies that center on the Japan-U.S. security alliance. They are: 1) the Japan-U.S. security alliance vs. security mechanism in East Asia; 2) the increasing independent tendency of Japan vs. the subordinate status of Japan in the Japan-

¹¹ Yasuhiro Nakasone, *Japanese National Strategy for 21st Century*, PHP Institute, 2000, p.52.

¹² *Ibid.*

U.S. security alliance, and 3) military-oriented Japan-U.S. security alliance vs. demands for comprehensive security.

More and more Japanese are now beginning to realize that listening to the U.S. all the time might bring some bad luck to Japan. Being dependent on the U.S. has benefited Japan in the past but also was a fundamental cause for the decline of Japan. The Democratic Party of Japan led by Yukio Hatoyama placed the spirit of independence and responsibility as their highest aspirations. Such opinion has begun to be echoed by the ordinary Japanese people.

In today's Japan, young people still adore the U.S. but many of them also resent the arrogance of Uncle Sam. Regarding economic issues, Japanese criticisms of the U.S. are sometimes stronger than those from the Chinese. The long-term trend towards independence has already sprouted from the tranquil surface.

4. Shifting focus from military confrontation to economic interests

In an era of globalization, both the U.S. and Japan have to continue economic cooperation with China. It is ridiculous that some blinded people in these two countries have tried to Sovietize their relations with China. One Japanese scholar refuted this tendency by saying, "In my mind, those who speak of the current Sino-US relations and previous Soviet-U.S. relations in the same breath have made a mistake of times. Back to the Cold War era, confrontations between the U.S. bloc and the Soviet bloc came from the 100% military adversary and zero economic exchanges. But today, China and the U.S. are not merely military antagonists but more economic partners."¹³ Similar economic partnership also exists between China and Japan. To develop economic relations and cooperation with China and other Asian countries will serve the Japanese interests at the moment and in the future. A rising China is not necessary to confront with the U.S. and be defeated therefore. Japan has to prepare for the scenario in which China becomes stronger without confrontation with the US. Some wise Japanese politicians thus advocated improving relations with the U.S. and China simultaneously.

¹³ Prof. Susumu Yabuki, Yokohama City University, March 2001.

In conclusion, the Japanese current foreign policies are suffering from inner contradictions and strategic suffocation: domestic policies separated from foreign policies; political concerns and economic concerns running in opposite directions; the Japan-U.S. alliance-centered security policy's inability to replace the regional security mechanism; political inharmony with China, the ROK and other Asian states vs. the economic need to improve cooperation with these countries; selective bilateral diplomacy vs. the lack of overall diplomatic strategy for the region.